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SUBJECT: LEBANON: FIRST MADE IN AMERICA SHOW SINCE 2005 (ECONOMIC
WEEK IN REVIEW, OCTOBER 6 - 13, 2008)

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U.S. OFFICIALS PROMOTE BUSINESS TIES WITH LEBANON AT MADE IN
AMERICA

¶1. (U) For the first time since 2005, the Embassy and FCS sponsored the Made in America exposition of American products October 9-11. Assistant Secretary of Commerce and Director General of the Foreign Commercial Service Israel Hernandez and U.S. Ambassador Michele Sison, along with Lebanese Minister of Economy and Trade Mohammad Safadi, launched the fourth Made in American fair at the BIEL Center. The fair showcased more than 270 U.S. companies doing business in Lebanon, bringing the latest in technology and services to Lebanon's fast-growing market. Participation has tripled since the event was first held in 2003, highlighting the strength of U.S.-Lebanon commercial ties. The event also included conferences on deepening commercial relationships between the U.S. and MENA region and Lebanon's WTO accession.

2009 BUDGET LAW READY
TO GO TO CABINET

¶2. (SBU) Rola Azour, head of the Ministry of Finance (MOF) Economic Unit, told us on October 6 that the MOF has completed the 2009 budget law proposal, which Finance Minister Chatah will submit to the cabinet for approval when he returns from the World Bank/IMF Annual Meetings in Washington. The proposal includes two revenue-generating measures: raising the tax on interest on deposits from five to seven percent, and collecting rent on seashore properties. These measures cover part of the \$500 million

additional cost resulting from recent minimum wage and public sector salary increases, she noted. Azour stressed that there will be no increase in VAT in 2009 as it would not be politically feasible.

13. (SBU) The MOF has secured a large part of its foreign currency financing needs for 2008, Azour said, and cannot borrow further in foreign currencies in the absence of legislation. The MOF is waiting for parliament to approve the 2006, 2007, and 2008 budget laws, which were never passed during the political stagnation of the past two years. Azour believes parliament will pass the three budget laws by the end of the year; once passed, this would give the GOL the possibility to borrow up to approximately six billion dollars to meet its foreign currency needs, she remarked.

NO NEWS ON SAUDI PLEDGE FOR
ADDITIONAL ONE BILLION DOLLAR DEPOSIT

14. (SBU) Azour also told us that the Saudis had taken no action on their pledge last February to deposit an additional one billion dollars at the Central Bank of Lebanon (CBL) to strengthen its foreign currency assets. During the July 2006 war, Saudi Arabia deposited one billion dollars at the CBL to strengthen foreign currency assets and maintain stability in the foreign exchange market.

15. (SBU) Meanwhile, the Director of Economic Affairs at the Presidency, Dr. Elie Assaf, told us October 8 that President Sleiman will raise this issue during his visit to Saudi Arabia on October 12. Although Sleiman's trip is of a more political nature, the President will also raise bilateral economic issues, Assaf told us.

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EDL CHAIRMAN IN EGYPT TO NEGOTIATE
LOWER ELECTRICITY PRICE

16. (SBU) Chairman of national power utility Electricite du Liban (EDL) Kamal Hayek was in Egypt October 8-9 for additional negotiations on possible Egyptian electricity supply to Lebanon. Egypt has offered to sell Lebanon 150 megawatts of surplus electricity, but at a price indexed to the cost of heavy fuel, which both Hayek and Energy Minister Alain Tabourian have told the Embassy they will not accept. If an agreement is reached, the infrastructure is in place for electricity to reach Lebanon via Syria, and EDL will be able to supply an additional two to three hours per day of electricity all over Lebanon, Tabourian told us.

PARLIAMENT APPROVES NEW MEASURE TO COMBAT MONEY LAUNDERING,
AND LEBANON'S ADHERENCE TO CORRUPTION CONVENTION

17. (U) On October 8, parliament approved a law expanding powers of investigators into cases of money laundering to include funds originating from corruption. The parliament agreed that Lebanon will adhere to the UN Convention Against Corruption.

18. (U) In addition, Parliament adopted a law dropping fines by 90 percent on overdue car-inspection fees and municipality fees for 2006, 2007, and 2008, provided settlement is reached before the end of 2008. This measure aims to encourage citizens to pay pending dues and replenish the state coffers.

U.S. TREASURY HOSTS CONFERENCE TO
STRENGTHEN U.S.-ARAB BANKERS' COOPERATION

19. (U) The Union of Arab Banks (UAB), based in Beirut, and the U.S. Treasury Department jointly organized the fourth U.S.-MENA Private Sector Dialogue (PSD) Conference on October 9 at the U.S. Treasury, on the margins of the World Bank/IMF annual meetings in Washington, D.C. This event aims to strengthen the relationship between Arab and American bankers on international banking issues and combating money laundering and terrorism finance.

ISLAMIC BANK INTERESTED IN
OPENING A BRANCH IN THE U.S.

¶10. (SBU) Fouad Matraji, General Manager of Lebanon's largest Islamic bank, Arab Finance House (AFH), told us October 8 that he will meet with U.S. Treasury Assistant Secretary Eric Solomon to explain Islamic banking and the necessary amendments in U.S. legislation for such banks to exist in the U.S. Matraji explained that this is timely given the international financial crisis, adding that Islamic banking is the safest way to invest money since investment is backed by real assets and there is no leveraging. (Note: Islamic banking prohibits interest, and provides for sharing in profit and loss. End note.) Matraji will be accompanied by senior officials from AFH's major shareholder, Qatar Islamic Bank (QIB), who also met last year with senior officials at the Federal Reserve Board expressing QIB interest in opening a branch in the U.S.

LEBANON PERCEIVED AS A PLATFORM FOR ARAB
BANKING EXPANSION IN LEVANT

¶11. (U) On October 8, Bank of Sharjah officially announced its acquisition of Banque Nationale de Paris Intercontinentale's (BNPI) operations in Lebanon. The new joint-holding will be known as Emirates Lebanon Bank (ELB). Bank of Sharjah will hold 81 percent of ELB shares, while French BNPI will retain 19 percent. With this acquisition, Bank of Sharjah continues its expansion into Lebanon's banking sector. Last year, it acquired Banque de la Bekaa from Fransabank, one of Lebanon's top ten banks. ELB Chairman/GM Varouj Nerguizian indicated that Lebanon is a platform for the bank's expansion into Syria and Iraq.

CHINESE MILK IMPORTS
STOPPED FOLLOWING SCANDAL

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¶12. (U) The Lebanese Ministry of Agriculture decided on October 6 to stop the import of Chinese powder milk and related products, and to remove all those already in the market, following the recent tainted milk scandal in China. According to the Ministry, Lebanon imports around 500 tons of powder milk from China each year.

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